

## 2001 Child and Dependent Care Expenses Credit

3506

Attach to your California Form 540, 540A, or Long Form 540NR.

Name(s) as shown on return

Social Security Number

## Part I Unearned Income and Other Funds Received in 2001. See instructions

SOURCE OF INCOME/FUNDS	AMOUNT	SOURCE OF INCOME/FUNDS	AMOUNT

## Part II Persons or Organizations Who Provided the Care – You must complete this part. (If you need more space, attach a schedule.)

1 (a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP Code)	(c) Identifying number (SSN or EIN)	(d) Telephone number	(e) Amount paid (See instructions)
			( )	
			( )	

Did you receive dependent care benefits? ☐ No Complete Part III below.  
☐ Yes Complete Part V before Part III.

## Part III Credit for Child and Dependent Care Expenses

## 2 Information about your qualifying person(s). See instructions

(a) Qualifying person's name	(b) Qualifying person's social security number (see instructions)	(c) Qualifying person's year of birth or if disabled, enter the letter D	(d) Percentage of time spent in your California home	(e) Qualified expenses you incurred and paid in 2001 for the qualifying person listed in column (a)
First Last				

3 Add the amounts in column (e) of line 2. <b>Do not</b> enter more than \$2,400 for one qualifying person or \$4,800 for two or more persons. If you completed Part V, enter the amount from line 31	3	
4 Enter YOUR <b>earned income</b> .	4	
5 If married filing a joint return, enter YOUR SPOUSE'S earned income (if your spouse was a student or was disabled, see the instructions); <b>all others</b> , enter the amount from line 4	5	
6 Enter the <b>smallest</b> of line 3, line 4, or line 5	6	
7 Enter the decimal amount shown in the chart on page 3 of the instructions for line 7	7	X
8 Multiply line 6 by the decimal amount on line 7. This is your allowable federal child and dependent care credit. Enter the result here and on Form 540A, line 30; Form 540, line 44; or Long Form 540NR, line 53	8	
9 Enter the decimal amount listed on the chart on page 3 of the instructions for line 9	9	X
10 Multiply the amount on line 8 by the decimal amount on line 9	10	
11 Credit for prior year expenses paid in 2001. See instructions for line 11	11	
12 Add line 10 and line 11. Enter the result here and on Form 540A, line 31 or Form 540, line 45. Long Form 540NR filers enter amount here and continue to Part IV	12	

## Part IV Nonresident and Part-Year Residents

13 Did you maintain your primary home in California for yourself and the qualifying person(s) during 2001? (See instructions) If "Yes," continue. If "No," <b>stop</b> . You <b>do not</b> qualify for the credit	13	<input type="checkbox"/> Yes <input type="checkbox"/> No
14 Enter the amount from Part III, line 12	14	
15 Enter the ratio from Long Form 540NR, line 25a. (If your ratio is more than 1.00, enter 1.00)	15	X
16 Multiply line 14 by the ratio on line 15. Enter here and on Long Form 540NR, line 54	16	

## Part V Dependent Care Benefits

17	Enter the total amount of dependent care benefits you received for 2001. This amount should be shown in box 10 of your Form(s) W-2. <b>Do not</b> include amounts that were reported to you as wages in box 1 of Form(s) W-2	17	
18	Enter the amount forfeited, if any. See instructions	18	
19	Subtract line 18 from line 17	19	
20	Enter the total amount of <b>qualified expenses</b> incurred in 2001 for the care of the <b>qualifying person(s)</b> . See instructions	20	
21	Enter the <b>smaller</b> of line 19 or line 20	21	
22	Enter YOUR <b>earned income</b>	22	
23	If married filing a joint return, enter YOUR SPOUSE'S earned income (if your spouse was a student or was disabled, see the instructions for line 5); <b>all others</b> , enter the amount from line 22	23	
24	Enter the <b>smallest</b> of line 21, line 22, or line 23	24	
25	Excluded benefits. Enter here the <b>smaller</b> of the following: • The amount from line 24; or • \$5,000 (\$2,500 if married filing a separate return <b>and</b> you were required to enter your spouse's earned income on line 23)	25	
26	Taxable benefits. Subtract line 25 from line 19	26	
27	Enter \$2,400 (\$4,800 if two or more qualifying persons)	27	
28	Enter the amount from line 25	28	
29	Subtract the amount on line 28 from the amount on line 27. If zero or less, <b>stop</b> . You <b>do not qualify</b> for the credit. <b>Exception</b> – If you paid 2000 expenses in 2001, see instructions for line 11	29	
30	Complete Part III, line 2. <b>Do not</b> include in column (e) any benefits shown on line 25 above. Add the amounts in column (e) and enter the total here	30	
31	Enter the <b>smaller</b> of line 29 or line 30. Also, enter this amount on Side 1, line 3 on the front of this form and complete line 4 through line 12	31	

### Worksheet – Credit for 2000 Expenses Paid in 2001

1)	Enter your 2000 qualified expenses paid in 2000	
2)	Enter your 2000 qualified expenses paid in 2001	
3)	Add the amounts on line 1 and line 2	
4)	Enter \$2,400 if care was for one qualifying person (\$4,800 for two or more)	
5)	Enter any dependent care benefits received for 2000 and excluded from your income (from line 18 of 2000 federal Form 2441 or Schedule 2, Form 1040A)	
6)	Subtract amount on line 5 from amount on line 4 and enter the result	
7)	Compare your earned income for 2000 and your spouse's earned income for 2000 and enter the smaller amount	
8)	Compare the amounts on line 3, line 6, and line 7 and enter the smallest amount	
9)	Enter the amount on which you figured the credit for 2000 (from line 6 of 2000 federal Form 2441 or Schedule 2, Form 1040A)	
10)	Subtract amount on line 9 from amount on line 8 and enter the result. If zero or less, stop here. You cannot increase your credit by any previous year's expenses	
11)	Enter your 2000 federal adjusted gross income (AGI) (from your 2000 Form 540, line 13; 540A, line 12b; or Long Form 540NR, line 13)	
12)	Find your 2000 federal AGI in the table of percentages (on page 3 of the instructions for line 7) and enter the corresponding decimal here	X.
13)	Multiply line 10 by line 12	
14)	Enter the percentage from form FTB 3506, line 9 based on your 2000 California AGI	X.
15)	Multiply line 13 by line 14. Enter the result here and on line 11 of your 2001 form FTB 3506.	

# Instructions for Form FTB 3506

## Child and Dependent Care Expenses Credit

### General Information

You must attach the completed form FTB 3506 to your return.

### A Purpose

If you paid someone to care for your child or other qualifying person so you (and your spouse if filing a joint return) could work or look for work in 2001, you may be able to take the credit for child and dependent care expenses. However, you must have had **earned income** to do so. If you qualify to claim the credit, use form FTB 3506 to figure the amount of your credit.

If you (or your spouse if filing a joint return) received any **dependent care benefits** for 2001 that you excluded from your federal adjusted gross income, you must complete Part V of form FTB 3506 before you can figure the credit you may be entitled to in Part III. You do not have to claim the federal Child and Dependent Care Expenses Credit to claim the credit for California, but you must figure your **allowable** federal credit to complete this form. This is because the California credit is calculated as a percentage of the federal credit.

For additional definitions, requirements, and instructions, get federal Form 2441 or Publication 503, Child and Dependent Care Expenses.

### B Qualifications

You may take the credit if **all nine** of the following apply.

1. Your filing status is single, head of household, qualifying widow(er) with dependent child, or married filing joint. See "Married Persons Filing Separate Returns" on this page.
2. Care must be provided for one or more qualifying persons. A qualifying person is:
  - Any child under age 13 who you can claim as your dependent and for whom you can claim a dependent exemption (If the child turned 13 during the year, the child is a qualifying person for the part of the year he or she was under age 13),
  - Your spouse who was physically or mentally not able to care for himself or herself, or
  - Your dependent who was physically or mentally not able to care for himself or herself and for whom you can claim a dependent exemption (or could claim a dependent exemption except that the person had gross income of \$2,900 or more). If this person is your child, see "Which Parent Can Claim the Child as the Qualifying Person?" on this page.See federal Form 2441 or Publication 503 for more information.
3. The care was provided so you (and your spouse if you were married) could work or look for work. However, if you did not find a job and have no earned income for the year, you do not qualify for the credit. But if your spouse was a student or disabled, see the instructions for Part III, line 5.
4. You (and your spouse if you were married) paid over half the cost of keeping up your home for the qualifying person(s). The cost includes rent, mortgage interest, real estate taxes, utilities, home repairs, and food eaten at home.
5. You and the qualifying person(s) lived in the same home.
6. Your primary home (where you and your qualifying person(s) lived) must have been in California.
7. The person who provided the care was not your spouse, a parent of the individual for whom care was provided, or a person for whom you can claim a dependent exemption. If your child provided the care, he or she must have been age 19 or older by the end of 2001.

8. You report the required information about the care provider on line 1 and, if claiming the credit, the information about the qualifying person(s) on line 2.

9. Your California adjusted gross income is \$100,000 or less.

### Which Parent Can Claim the Child as the Qualifying Person?

The child can **only** be the qualifying person of one parent when the parents are filing separate returns. Even if both parents pay for childcare for the same child, both parents will **not** qualify for the credit. Use the information in this part to determine if you can claim the child as the qualifying person.

### Divorced or Separated from the Child's Other Parent

For purposes of determining whether your child is your qualifying person, you are considered divorced or separated if **either** of the following applies:

- You are divorced or separated under a decree of divorce, decree of separate maintenance, judgment of legal separation, or decree of separation; or
- You lived apart from your spouse for the entire last 6 months of 2001.

If you and the child's other parent were never married, see "Never Married to the Child's Other Parent" discussed on this page.

**Custodial Parent** – If you are the custodial parent and can claim the dependent exemption credit for your child, the child is your qualifying person. You are the custodial parent if you had physical custody of your child longer than your child's other parent during the calendar year.

If you cannot claim the dependent exemption credit for your child, you can still treat your child as your qualifying person if **all** of the following apply:

1. One or both parents had custody of the child for more than half the year.
2. One or both parents provided more than half the child's support for the year.
3. Either:
  - a. You stated in writing that the noncustodial parent may claim the dependent exemption that you were entitled to, or
  - b. The noncustodial parent provided at least \$600 of support for the child and claimed the dependent exemption credit for the child under a pre-1985 written agreement.

**Noncustodial Parent** – If you are the noncustodial parent, the child cannot be your qualifying person. The child is not your qualifying person even if you are able to claim the dependent exemption credit.

### Never Married to the Child's Other Parent

For your child to be your qualifying person, you must be able to claim the dependent exemption for your child. This includes the requirement that you provided more than half of the child's total support for the calendar year. To decide if you provided more than half the support, the amount you provided for the child's support must be compared to the entire amount of support the child received from all sources. All sources include (but are not limited to) the amount provided by others such as the other parent, other members living in the home, the child's own funds, food stamps, and Temporary Assistance for Needy Families provided by the state of California.

### Married Persons Filing Separate Returns

If your filing status is married filing separate and all of the following apply, you are considered unmarried for purposes of figuring the credit on form FTB 3506.

- You lived apart from your spouse during the last 6 months of 2001,

- The qualifying person(s) lived in your home more than half of 2001, and
- You provided over half the cost of keeping up your home.

If you meet all the requirements to be treated as unmarried and meet items 2 through 9 listed earlier, you may take the credit. If you do not meet all the requirements to be treated as unmarried, you do not qualify for the credit.

The child can only be the qualifying person of one parent when the parents are filing separate returns. Even if both parents pay for childcare for the same child, both parents will not qualify for the credit. For more information on which parent can claim the child, see federal Form 2441 or Publication 503.

## C Specific Line Instructions

### Part I

#### Unearned Income and Other Funds

List the source and amount of **any** money you received in 2001 that is not included in your earned income (line 4 and line 5) but that was used to support your household. Include child support, property settlements, public assistance benefits, court awards, inheritances, insurance proceeds, pensions and annuities, social security payments, workers compensation, unemployment compensation, interest, or dividends.

### Part II

#### Line 1

Complete column (a) through column (e) for each person or organization that provided the care. You can use federal Form W-10, Dependent Care Provider's Identification and Certification, or any other source listed in the instructions for Form W-10 to get the information from your care provider. If your provider does not give you the information, complete as much of the information as possible and explain that your provider did not give you the information you requested.

If you do not give correct or complete information, your credit may be disallowed unless you can show you used due diligence in trying to get the required information.

#### Columns (a) and (b)

Enter your care provider's complete name (or business name) and address. If you were covered by your employer's dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer's name in column (a). Next, enter "See W-2" in column (b). Enter your employer's telephone number in column (d). Leave column (c) and column (e) blank. If your employer paid a third party (not hired by your employer) on your behalf to provide the care, you must give information about the third party in column (a) through column (e).

#### Column (c)

If your care provider is an individual, enter his or her social security number. Otherwise, enter the provider's employer identification number. If your provider is a tax-exempt organization, enter "Tax-Exempt" in column (c).

#### Column (d)

Enter the telephone number of your care provider, including area code. We may call to verify the provider information.

#### Column (e)

Enter the total amount you **actually paid** in 2001 to your care provider. Also include amounts your employer paid to a third party on your behalf. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

### Part III

#### Line 2

Complete column (a) through column (e) for each qualifying person. If you have more than five qualifying persons, attach a statement to your return with the required information and write "see attached." Be sure to put your name and social security number (SSN) on the statement.

#### Column (a)

Enter each qualifying person's name.

#### Column (b)

Enter the first two qualifying persons' social security numbers on Form 540, line 42 and line 43; Form 540A, line 28 and line 29; or Long Form 540NR, line 51 and line 52.

You **must** enter the qualifying person's SSN unless he or she was born and died in 2001. Be sure the name and SSN entered agree with the person's social security card. Otherwise, at the time we process your return, we may reduce or disallow your credit. If the person was born and died in 2001, and did not have an SSN, enter "Died" in column (b) and attach a copy of the person's birth certificate.

#### Column (c)

If the qualifying person is under 13 years old, enter the year of birth. If the qualifying person is disabled, enter "D."

#### Column (d)

If you shared custody of the qualifying person(s), enter the percentage of time you had physical custody.

#### Column (e)

Enter the qualified expenses you incurred and paid in 2001 for the person(s) listed in column (a). Do not include in column (e) qualified expenses:

- You incurred in 2001 but did not pay until 2002. You may be able to use these expenses to increase your 2002 credit.
- You incurred in 2000 but did not pay until 2001. Instead, see instructions for line 11.
- You prepaid in 2001 for care to be provided in 2002. These expenses may only be used to figure your 2002 credit.

#### Line 4

Earned income includes wages, salaries, tips, other employee compensation, and net earnings from self-employment. A net loss from self-employment reduces earned income. Earned income also includes strike benefits and any disability pay you report as wages. Certain nontaxable earned income should be included, such as, parsonage allowances, meals and lodging furnished for the convenience of the employer, voluntary salary deferrals, military basic quarters and subsistence allowances and in-kind quarters and subsistence, and military pay earned in a combat zone. **Earned income** does not include pensions and annuities, social security payments, workers' compensation, interest, dividends, public assistance, capital gains, or unemployment compensation.

#### Line 5

##### Spouse Who Was a Student or Disabled

Your spouse was a **student** if he or she was enrolled as a full-time student at a school during any 5 months of 2001. A school does not include a night school or correspondence school. Your spouse was **disabled** if he or she was not capable of self-care. Figure your spouse's earned income on a monthly basis.

For each month or part of a month your spouse was a student or was disabled, he or she is considered to have worked and earned income. His or her earned income for each month is considered to be at least \$200 (\$400 if more than one qualifying person was cared for in 2001). If your spouse also worked during that month, use the higher of \$200 (or \$400 if more than one qualifying person) or his or her actual earned income for that month. If, in the same month, both you and your spouse were either students or disabled, only one of you can be treated as having earned income in that month. For any month that your spouse was not a student or disabled, use your spouse's actual earned income if he or she worked during the month.

## Line 7

Determine your federal adjusted gross income (AGI) from Form 540A, line 12b; Form 540, line 13; or Long Form 540NR, line 13. Then use the chart below to determine the decimal amount to enter on line 7.

If your Federal AGI is:		The decimal amount
Over	But not over	on Line 7 is:
\$0	\$10,000	.30
10,000	12,000	.29
12,000	14,000	.28
14,000	16,000	.27
16,000	18,000	.26
18,000	20,000	.25
20,000	22,000	.24
22,000	24,000	.23
24,000	26,000	.22
26,000	28,000	.21
28,000	No limit	.20

## Line 9

Use the chart below to determine the percentage of the federal credit that is allowed as a California credit and enter the decimal amount on line 9.

If your California AGI from Form 540A, line 14; Form 540, line 17; or Long Form 540NR, line 25 is:		The decimal amount on Line 9 is:
\$40,000 or less		.63
Over \$40,000 but not over \$70,000		.53
Over \$70,000 but not over \$100,000		.42
Over \$100,000		<b>Stop. You do not qualify for this credit.</b>

## Line 11

If you had work-related expenses for care that was provided in 2000, but that you paid for in 2001, you may be able to increase the amount of your Child and Dependent Care Expenses Credit for 2001. Use the worksheet on Side 2 of form FTB 3506 to calculate the amount of additional credit you may be entitled to claim. See federal Publication 503 under "How to Figure the Credit" and "Amount of Credit" for guidance on completing line 1 through line 10 of the worksheet. If you claimed the California Child and Dependent Care Expenses Credit for the year 2000, you will need a copy of your 2000 California income tax return, including federal Form 2441 (or Schedule 2, Form 1040A), in order to properly complete this worksheet.

On form FTB 3506, Part II, line 1, column (e), include all the payments you made to a qualified care provider(s) during 2001, regardless of whether the care was actually provided in 2001. This includes

expenses you paid in 2001 for care that was provided in 2000 and expenses you paid in 2001 for care that was provided in 2002. Identify the work-related care expenses that you are entitled to claim in Part III, line 2, column (e) by comparing your cancelled checks/credit card statements for 2001 to your monthly care service invoices or bills (pay particular attention to the months of January and December). These are the expenses you paid in 2001 for care that was provided in 2001. Lastly, use the worksheet on Side 2 to determine whether you are entitled to increase the amount of your credit for 2001 based on work-related expenses for care that was provided in 2000 but that you paid in 2001.

**Note:** Keep a record of payments you made in 2001 for care that was provided in 2002. You will use these amounts when you calculate your 2002 credit.

## Part IV

### Line 13 – Line 16

Nonresidents and part-year residents must complete and attach Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, to their Long Form 540NR tax return. If Part I of Schedule CA (540NR) is not fully completed, your credit may be disallowed.

You must maintain your primary home in California for yourself and your qualifying person(s) during the year or portion of the year to qualify for the credit. Full-year nonresidents of California who retained their main home in another state do not qualify for this credit.

Nonresidents and part-year residents must calculate the percentage of the child and dependent expenses credit that they may be qualified to take. It is based on the ratio from Long Form 540NR, line 25a.

## Part V

### Line 17

Dependent care benefits include amounts your employer paid directly to you or your care provider for the care of your qualifying person(s) while you worked. These benefits also include the fair market value of care in a day-care facility provided or sponsored by your employer. Your salary may have been reduced to pay for these benefits. If you received dependent care benefits, they should be shown in box 10 of your 2001 Form(s) W-2.

### Line 18

If you had a flexible spending account, any amount included on line 17 that you did not receive because you did not incur the expense is considered forfeited. Do not include amounts you expect to receive at a future date.

### Line 20

Enter the total of all qualified expenses incurred in 2001 for the care of your qualifying person(s). It does not matter when the expenses were paid.

**Example:** You received \$2,000 cash under your employer's dependent care plan for 2001. The \$2,000 is shown in box 10 of your Form W-2. You incurred \$900 of qualified expenses in 2001 for the care of your 5-year-old dependent child. You would enter \$900 on line 20, but would report the entire \$2,000 on line 17.

For all other lines, follow specific line instructions on the form. For additional information, see federal Form 2441 or Publication 503.